

Message Text

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PASS EXIMBANK

E.O. 11652: NA
TAGS: BEXP, BTIO, IN
SUBJECT: PROSPECTIVE BID BY UNITED TECHNOLOGIES POWER SYSTEMS
DIVISION TO SUPPLY FIVE GAS TURBINES TO WEST BENGAL:
MAJOR PROJECT

REF: CALCUTTA 0922

1. WE WOULD LIKE TO DRAW ATTENTION TO CERTAIN QUESTIONS
WHICH MAY BE RAISED BY THE COMMERCIAL SUBJECT REPORTED
REFTEL. OUR OWN KNOWLEDGE OF THE APPLICABLE GOI
PROCEDURES IS VERY SLIGHT, IN PARTICULAR AMEMBASSY NEW
DELHI WILL KNOW BETTER WHETHER A SITUATION NEEDING
ATTENTION EXISTS.

2. IN THE COURSE OF THIS AND THE NEXT MONTH THE U.S. FIRM UNITED
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TECHNOLOGIES (POWER SYSTEMS DIVISION) UTPDS) IN
COLLABORATION WITH MITSUBISHI, EXPECTS TO BID
AGAINST THE BRITISH FIRM GEC, AND PERHAPS OTHERS,
TO SELL FIVE 20 MW GAS TURBINE GENERATORS TO
WEST BENGAL ON A RAPID PROCUREMENT BASIS TO MEET
THIS STATE'S SEVERE POWER SHORTAGE. THE VALUE
OF THE PROJECT IS EXPECTED TO BE \$20 MILLION OR MORE.

KEITH BIGGS, THE UTPSD REPRESENTATIVE, WHO VISITED CALCUTTA ON MAY 30, ESTIMATES THAT THE PRICE OF THE U.S. AND THE BRITISH UNITS ARE VERY CLOSE. THE GEC GENERATOR, ACCORDING TO BIGGS IS POWERED BY A ROLLS ROYCE OLYMPUS ENGINE, WHICH IS LIKE THE UTPSD PRATT AND WHITNEY POWER PLANT, IS A MODIFIED VERSION OF AN AIRCRAFT JET ENGINE. BIGGS WORKED MANY YEARS FOR ROLLS ROYCE, COMING TO UTPSD ONLY IN 1975. HE IS FAMILAR WITH THE ROLLS ROYCE OLYMPUS, AND SAYS THAT IT IS SIGNIFICANTLY INFERIOR IN METALLURGICAL TECHNOLOGY AND IN PERFORMANCE TO THE PRATT AND WHITNEY ENGINE.

3. HOWEVER, THE GEC/ROLLS ROYCE GENERATORS, IT IS EXPECTED, WILL BE OFFERED TO INDIA AS PART OF THE U.K. GRANT AID PROGRAM, WHILE THE AMERICAN ENGINES WOULD COME IN AS A REGULAR COMMERCIAL IMPORT. WE UNDERSTAND THAT FROM THE VIEW OF THE FOREIGN MANUFACTURER, THE EFFECTIVE RECIPIENT IS THE GOI. WHETHER IT RECEIVES THE GENERATORS AS A GRANT, OR PAYS FOR THEM IN FOREIGN EXCHANGE, THE GOI WILL IN EFFECT SELL THE UNITS TO THE GOVERNMENT OF WEST BENGAL, WHICH WILL PAY THE CENTRAL GOVERNMENT FOR THEM AT THE RUPEE EQUIVALENT OF THE FOREIGN MANUFACTURER'S BID PRICE. FOR THE AMERICAN UNITS THIS MEANS THE REAL PRICE; FOR THE BRITISH GOODS, IT MAY MEAN THAT LIMITED OFFICIAL USE

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WEST BENGAL WILL PAY THE GOI THE PRICE THE BRITISH GOVERNMENT WILL PAY GEC/ROLLS ROYCE TO BUT THE UNITS FOR THE U.K. AID PROGRAM, OR IT MAY BE A PURELY ABSTRACT PRICE CREATED FOR THE GLOBAL TENDER BIDDING PROCESS. IN THIS SITUATION THERE EXISTS THE POSSIBILITY OF A SHARP DISPARITY OF INTERESTS BETWEEN THE GOI AND THE GOWB, THE GOI BEING ATTRACTED TO THE BRITISH EQUIPMENT BECAUSE IT IS FREE, AND THE GOWB, WHICH MUST PAY IN EITHER CASE, BEING ATTRACTED TO THE AMERICAN EQUIPMENT BECAUSE OF ITS QUALITATIVE SUPERIORITY.

4.A FURTHER COMPLICATION ARISES ON THE FINANCE SIDE. ACCORDING TO MR. MURSHED, THE GOVERNMENT OF WEST BENGAL CANNOT OR WILL NOT PAY CASH TO OR THROUGH THE GOI FOR THE GENERATORS. THE SETS MUST BE FINANCED OVER A SUBSTANTIAL PERIOD OF TIME, AND MURSHED INDICATED ON MAY 30 THAT AT LEAST IN THE CASE OF A COMMERCIAL PROCUREMENT FROM THE U.S., THE FOREIGN SELLER WOULD HAVE TO TAKE A SUBSTANTIAL PART OF THE FINANCING. IT APPEARS LIKELY THAT THE INTEREST COSTS OVER THE LIFE OF THE FINANCING WOULD BE PAID TO THE FOREIGNERS IN FOREIGN EXCHANGE BY THE GOI, WHICH WOULD THEN CHARGE THE RUPEE EQUIVALENT

TO THE GOWB. HOWEVER, IT APPEARS THAT NO INTEREST CHARGES ARE IMPOSED BY THE GOI ON THE GOWB IN THE CASE OF CAPITAL EQUIPMENT COMING INTO INDIA UNDER A GRANT

FOREIGN AID PROGRAM, IN THIS CASE FROM THE U.K. LEAVING ASIDE THE GOI, EVEN FOR THE GOWB REPEAT GOWB, THIS RESULTS IN A SUBSTANTIAL LOWERING OF THE EFFECTIVE COST OF THE GEC/ROLLY ROYCE EQUIPMENT, AND AN IMPROVEMENT OF THE BRITISH MANUFACTURERS' COMPETITIVE POSITION, DESPITE THE TECHNICAL SUPERIORITY AND PERHAPS GREATER LIFETIME ECONOMY OF THE U.S. APPARATUS.

5. POWER COMMISSIONER MURSHED INDICATED TO MR. BIGGS LIMITED OFFICIAL USE

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AND THE CONSULATE OFFICERS WHO CALLED ON HIM, THAT THE GOWB WOULD CONDUCT THE EVALUATION OF THE GAS TURBINE BIDS, AND HE IMPLIED THAT THE GOWB COULD MAKE A FINAL CHOICE OF SUPPLIER. IN THE LIGHT OF THE GREAT DISPARITY BETWEEN COMMERCIAL AND GRANT AID TERMS, WE WOULD EXPECT THAT, CONTRARY TO WHAT MURSHED SAYS, THE GOI AS WELL AS THE GOWB, WILL TAKE A SUBSTANTIAL PART IN THE CHOICE OF WINNING BID. WE WONDER IF THERE IS AN APPROPRIATE ROLE FOR THE USG IN SUPPORT OF A U.S. MANUFACTURER IN SUCH A CASE.

6. THE GOWB'S STATE ELECTRICITY BOARD PUBLISHED TODAY AN INVITATION FOR TENDERS IN A CALCUTTA NEWSPAPER. BIDS ARE DUE JULY 17, 1978 AND WILL BE OPENED ON SAME DATE HERE, ALTHOUGH THERE IS A POSSIBILITY THAT THIS BID DEADLINE MAY BE EXTENDED AT THE REQUEST OF A BIDDER OR ANOTHER PARTY. SPECIFICATIONS ARE EXPECTED TO BE AVAILABLE TOWARD THE END OF THIS WEEK, WE ARE TOLD. WE PLAN TO CABLE RESUME AND WILL POUCH TEXT OF SPECIFICATIONS TO USDOC AS SOON AS WE HAVE THEM IN HAND. USDOC REQUESTED TO INFORM BIGGS/UTPSD OF MATERIAL IN THIS PARAGRAPH. LYDON

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